

ROLL CALL

NATURAL RESOURCES

[illegible]

**MONTANA STATE SENATE
2007 LEGISLATURE**

**VISITOR REGISTER
NATURAL RESOURCES**

DATE 1-24-07

BILLS BEING HEARD TODAY SB 218, 223, 241

PLEASE PRINT

NAME	PHONE	REPRESENTING	BILL #	SUPPORT	OPPOSE
MARK FIX	421-5760	NPRC	SB 218	✓	
}	}	}	SB 223		✓
}	}	}	SB 241	✓	
Beth Kaeding	585-5644	Self	SB 218	✓	
z	z	z	SB 223		✓
z	z	z	SB 241	✓	
Wendy Skarski	785-6378	Self	SB 218	✓	
"	"	"	SB 223		✓
"	"	"	SB 241	✓	
Don Judge	459-1708	MT Chapter, Sierra club	SB 218	✓	
DENA Hoff	687-3645	Buffalo Rapids Irrigation	SB 223		✓
}	}	Self	SB 241	✓	
}	}	Self	SB 218	✓	
CLINT McRae	347-5201	SELF	SB 223		✓
Art Hayes Jr	984-6260	SELF TONGUE RIVER WATER	SB 223		✓
"	"	"	SB 241	✓	
CLINT McRae	347-5201	SELF	SB 241	✓	
Dave Galt	442-7582	MT Petroleum Assn	SB-241		✓
}	}	}	SB 223	✓	
Lisa Peterson	444-2929	DEQ	SB 218	✓	

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

**MONTANA STATE SENATE
2007 LEGISLATURE**

**VISITOR REGISTER
NATURAL RESOURCES**

DATE 1-24-07

BILLS BEING HEARD TODAY SB 218, 223, 241

PLEASE PRINT

NAME	PHONE	REPRESENTING	BILL #	SUPPORT	OPPOSE
JOHN BEAVER	449-4148	Self	218	✓	
			223		✓
			241	✓	
Gary Amos	443-2370	Bigland Economic Development Corporation	241		
Harilyn Krause	490-0367	BLM			
TIM RAVNDAL	439-5860	MMVA	218,		
Mike Scott	295 5022	NPRC	218	✓	
"	"	"	241	✓	
"	"	"	223		✓
Patrick Mantelban	873-2845	NMOCA	241		X
Jim Kappers	782-3441	NPRC	223, 241	✓ 241	✓ 223
Tom Myers	775 530-1483	NPRC	223		✓
BRUCE WILLIAMS	307.752.3535	FIDELITY EIP	223, 241	✓ 223	✓ 241
Julia Page	223-4923	Northern Plains	223, 241	241 ✓	223 ✓
Willie Duffell	939-4443	MAJAC Counties	223, 241	223 ✓	241 ✓
Don McDaniel	436-2032	SELF	223, 241	223 ✓	241 ✓
Stephen H. Bentley	436-2882	CFRD	223	223 ✓	
Charles Jensen	307 251 2880	Self	223	223	
Mark Moreland	406-757-2294	Self	223	223	
John Young	757-2218	Self		223	
Donna Morris	406-784-2485	Self	223	✓	

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

**MONTANA STATE SENATE
2007 LEGISLATURE**

**VISITOR REGISTER
NATURAL RESOURCES**

DATE

1/24/07

BILLS BEING HEARD TODAY SB 218, 223, 241

PLEASE PRINT

NAME	PHONE	REPRESENTING	BILL #	SUPPORT	OPPOSE
Pranda Lindlie Hall	442-3261	Tongue River Water Users Ass'n	SB 241		X
Delia Hagen	745-8820	NPRC	218/241/223	218, 241	223
Ed BARTLETT	443-6520	NORTHERN ALLIANCE	SB 241		X
STEVE PILCHER	439-4178	MT Stockgrowers	SB 225	X	
Charles Brooks	668-2380	Blyschinbrook	SB 223	X	
Janet Ellis	443-3949	MT Audubon	SB 241	X	
Glen Hollenbaugh	443-1200	HD 81	SB 218	X	
Chuck Mygrew	444-3375	NRDC/RIIP	SB 218	X	
Anne Hedges	443-2520	MEIL	SB 218	X	
John Tubbs	444-6605	MT DNRE	SB 223		X
Sarah Cobler	581-2284	Montana Conservation Voters	SB 218	X	
Matt Leow	370-3183	MontPIRG	SB 218	X	
LAMBEAT Carol		Carol Lambert Rep HD 39	SB 223	X	
Don Allen	443-5541	WEPA	SB 218 SB 223	X	X (241)
Ruth Bales	444-0521	SD 20	223	X	
Don Metropoulos	442-8560	Fidelity E+P	223	X	
Tom Riechman	656-0040	MT BOARD OF OIL & GAS	218, 241	-	INFO -
Mary Schlegel	570-4105	MT Farm Bureau	223	X	
Brian Johnston	751-1378	Princeton Gas	223	X	
Sarah Cobler	581-2284	MCV	223		X
"	"	"	241	X	

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

VISITOR REGISTER

NATURAL RESOURCES

BILLS BEING HEARD TODAY SB 218, 223, 241

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

VISITOR REGISTER

DATE 1-24-07

BILLS BEING HEARD TODAY SB 211, 234, 240

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

**MONTANA STATE SENATE
2007 LEGISLATURE**

VISITOR REGISTER

BUSINESS, LABOR AND ECONOMIC AFFAIRS

DATE 1-24-07

BILLS BEING HEARD TODAY SB 211, 234, 240

PLEASE PRINT

NAME	PHONE	REPRESENTING	BILL #	SUPPORT	OPPOSE
Larry Kuebler	360-770-6926	PCIAA	234		X
Keith Allen	459-4500	IBEW	SB 211	X	
Dwight Easton	240-5010	Farmers Ins Gp	234		X
Royce McGowan	442-9555	ITAM	234		X
Greg VanHorsen	442-0230	State Farm Ins	5234		X
Jack Fisher		Elect Board	211	X	
Maria Maki	412-2365	ABA - DOL	211	informational	
Shirley Wareham	442-6824	MT Society of CPA	240		X
John Youngberg	442-9471	MEBF	240		X
Al Smith	439-3124	MTLHA	SB 210	X	
Don Judge	459-1708	Teamsters Local 190	SB 240	Y	
Michael O'Brien	444-3118	Secretary of State	SB 240	informational	
Charles Brooks	698-2380	Bls Chamber	SB 240		X
Jon Metropoulos	442-8560	FIG	SB 234		X
Frank Cote	443-9070	FUMIC	SB 234		X
Brad Griffin	855-5935	MT Retail Assoc	234		X
Jacqueline Denmark	2-0230	AIA	234		X
Deborah Tornberg	832-7948685	AIG	234		X
Carol Roy	406-444-3917	SAD Dpt Ins Com	234	info	
BRIAN JERMAN	" 444-8744	SELF	240	X	
Earl McCremon	459-4244	MT Contractors Assn	240		Y

Arnette Gmolyak 442-6820 MT Bankers Assn 240 X
 Amy Renwick 459-9440 Policy Institute 240 X
 PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

Mr. Chairman and members of the committee, for the record my name is Art Hayes Jr. I live at 208 Hanging Woman Creek Road, Birney, Montana. Along with my family I own The Brown Cattle Co. I am also the President of the Tongue River Water Users Association.

Many changes have taken place since October 1999, when the Controlled Groundwater Area was enacted by DNRC in order to accommodate the CBM industry. And much more knowledge about our water has been gained.

Southeastern Montana has been hit hard by drought—a drought which has intensified in the last several years. By late summer the Tongue and the Powder Rivers are dry at the Wyoming State line. I am the fourth generation of my family to live on Hanging Woman Creek, a major tributary of the Tongue River. Hanging Woman Creek encompasses 472 square miles of drainage. I am the first generation to see it dry. Water levels in the shallow aquifers are dropping. Spring flows are either drying up or diminishing.

My family and neighbors rely on our wells coming from the coal aquifers. Since 1999 I have learned from the USGS and from briefs filed by the CBM companies in various lawsuits, that these coal aquifers are “confined aquifers” having very little recharge. In 1952, atom bomb testing released into the atmosphere the trace element Tritium which subsequently contaminated all surface waters. A study by the USGS shows that water in coal aquifers does not contain Tritium thus showing that there has been no recharge since the early 1950s. This CBM water is thousands of years old, probably prehistoric.

CBM extraction from the coal aquifers does not remove all of the water but does remove the hydrostatic pressure of the aquifer. With out the hydrostatic pressure the water in the aquifer will not flow.

The Commission was set up in 1991 to investigate the circumstances surrounding the death of a young woman, who had been found dead in a car park in 1989. The Commission was chaired by Lord Justice Taylor and its members included representatives from the police, the coroner, the Crown Prosecution Service, the Home Office, the Department of Health, and the Department of Education.

The Commission's terms of reference were to investigate the circumstances of the death, to identify any failures in the system, and to make recommendations to prevent such a tragedy from happening again. The Commission held a series of public hearings and published its findings in a report in 1992.

The Commission found that the death was a tragic one, and that there had been a number of failures in the system. These included failures in the way the police handled the case, failures in the way the coroner conducted the inquest, and failures in the way the Crown Prosecution Service handled the case. The Commission also found that there had been a failure in the way the Home Office handled the case, and that there had been a failure in the way the Department of Health handled the case. The Commission made a number of recommendations to prevent such a tragedy from happening again.

The Commission's recommendations were accepted by the government, and a number of changes were made to the system. These included changes to the way the police handle cases, changes to the way the coroner conducts inquests, and changes to the way the Crown Prosecution Service handles cases. The Commission also recommended that the Home Office should set up a body to investigate deaths in custody, and that the Department of Health should set up a body to investigate deaths in hospital.

The Commission's report was a landmark document, and it led to a number of important changes in the way the system handles deaths. The Commission's findings were a wake-up call to the government, and it led to a number of important changes in the way the system handles deaths.

The Prior Appropriation Doctrine "first in time first in right" goes back to before Montana was a state. However, the creation of the Controlled Groundwater Area has taken water rights from Montana citizens that have water rights in coal aquifers. A CBM company is only required to "offer a reasonable mitigation well agreement" which may not retain your water right. The coal vein aquifers have been our most reliable source of water during this drought. The growing demand for surface water far out reaches the supply. Coal aquifers will become a valuable asset in the future.

The amendment offered by Senator Peterson will put Montana water law back to the dark ages. I have no problem if a rancher wants to put this water to a beneficial use for stock, or domestic use as long as those uses are subject to Montana water law under Title 85. I do not believe that irrigation is a beneficial use of CBM water: Irrigation with CBM water is a guise for land disposal of CBM water. Is it irrigation when the soil amendments cost much more than the value of the crop being raised? Also, this is a finite source of water and considering the volume needed for irrigation it would be irresponsible of DNRC to issue a permit for that use.

I am passing around a photo of my house and stock water well. I had to do a little plumbing to get the photo but it shows there is gas being produced with the water. I am working with a friend to find a way to trap this gas to heat my house. This is a water well, with a water right filed with DNRC. If I can utilize the gas it becomes a gas well, by which, under Senator Peterson amendment I will not have to meet the requirements of Montana Water law. This amendment will start a free-for-all for a finite source of water vital to the future of Southeastern Montana. I urge you to kill this amendment.



OIL AND GAS RECLAMATION ACT-SB 241

Summary

The Oil and Gas Reclamation Act seeks to protect Montana's water quality and farming and ranching families by raising the standards for reclamation. This Act

- Requires reclamation plans before permit approval
- Establishes reclamation requirements, similar to those for other extractive industries
- Requires the completion of reclamation requirements before bond release

Background

Record profits for oil and gas companies have increased oil and gas exploration in Montana, including coal bed methane. In turn, this increased exploration will lead to amplified extraction of coal bed methane and conventional oil and gas. A majority of extraction will occur on private land. In the Powder River Basin of Montana alone, most of the surface is private irrigated crop or rangeland. Over 60% of that land consists of split estates, with minerals leased to oil and gas companies.

Increased coal bed methane extraction will affect water quality and the livelihoods of Montana's farm and ranch families. Montanans understand the value of agricultural production and the need for abundant sources of clean water.

Problem

The Montana Board of Oil and Gas Conservation administers bonding and reclamation of oil and gas operations. The bonding requirements for oil and gas are inadequate. Under current bonding requirements, a company can post a blanket bond of \$50,000 for all methane wells drilled in privately owned or state-owned minerals in Montana. Reclamation requirements are limited to the plugging and abandonment of wells, ignoring the miles of roads, pipelines, power lines, and containment pits that are a nuisance to landowners. If landowners successfully sue for full reclamation (as has happened in other extractive industries), the cost of that reclamation will fall on Montana's taxpayers.

The 2005 Montana Legislature, understanding the need for reform of Montana's oil and gas reclamation laws, passed HB 790 and charged the HB 790 subcommittee with studying the adequacy of bonding and reclamation requirements, in addition to studying split-estate law, and report their findings to the full Environmental Quality Council (EQC). However, the subcommittee failed to address the important issues of bonding and reclamation, and the legislation produced by the full EQC does not address these issues.

Solution

The Oil and Gas Reclamation Act takes the steps that were not taken by the full EQC in HB 790. In addition to requiring the plugging and abandonment of wells, the Oil and Gas Reclamation Act charges the Montana Board of Oil and Gas to require reclamation plans for any project area prior to approval of drilling permits. It establishes specific reclamation requirements, similar to the requirements of other extractive industries doing business in Montana. This act also requires the full completion of these specific reclamation requirements before the release of performance bonds.

Please turn sheet over for economic implications of oil and gas reclamation

Economic Implications of Reclamation

Reclamation jobs serve as a multiplier to the larger economy¹. Jobs in reclamation create jobs to support the reclamation profession. This includes services such as mechanic shops, fuel stations, and restaurants. Nurseries for native vegetation are needed, as are native seeds. This niche economic activity is highly reliant on contributions by the private sector. An increase in private spending restoration work leads to increased economic activity. It seems highly unlikely, given the context of industry history that extraction companies will volunteer to increase reclamation activity without regulation. States such as Colorado demonstrate that a comprehensive regulatory program does not prevent coal bed methane from being extracted or from being profitable². The bottom line is that if a company wants to sell methane, they have to go where the methane is and play by the rules established for that location.

Most importantly, reclamation oriented economic activity and investment by the private sector significantly reduces or eliminates the public financial burden of cleaning and restoring extraction sites. One case study regarding the Fidelity Tongue River CBM Extraction Projects estimated that the bond assurances provided to ensure reclamation are roughly 6.8 million dollars short of the actual cost, leaving that burden squarely on the taxpayers of Montana.

Strict regulations regarding reclamation may actually benefit CBM extractors in the long run. One of the largest road blocks on CBM development is fear of water pollution or waste, destruction of scenic and agricultural land, and landscapes scarred with access roads and well footprints. By increasing the reclamation standards and enforcing them, CBM extraction companies will not be perceived as a threat to local landowners in prospective areas. By mitigating their perceived negative qualities, they may reap economic benefits of more development with less resistance.

¹ Tyler Turner and Brad Eldredge. "Reclamation and Restoration Economics in Montana: Fictional Scenarios for the Real World." (2006)

² Kuipers and Associates. "Filling the Gaps." (2005)

BLM COMPLIANCE REPORT-NOVEMBER 2005

This report analyzed the development of coalbed methane, oil, and conventional natural gas facilities in the Powder River Basin in Wyoming. This analysis demonstrates the need for reclamation regulation.

During the course of the research, 628 inspections were completed at both wells and facilities, of which a total of 530, or 84%, were found to be out of compliance.

Violations included but were not limited to:

- Lack of adequate seeding and revegetation efforts.
- The establishment of significant non-native plant populations, including plants with noxious weed and weed of concern status.
- Soil erosion due to the lack of revegetation and road construction
- The construction of unapproved roads.
- Debris, such as wire, drill rods, fencing material and spools scattered on well sites.
- Loss of topsoil due to piles left near pumps.

Based on these findings, the BLM-Buffalo Field Office recommended several steps that might be taken that would mitigate some of these problems, some of which are addressed in SB 241-Oil and Gas Reclamation act. These recommendations include:

- Increased monitoring of water storage sights and an active weed control program.
- A formulation of standards that control the spread of weeds.
- Implementation of administrative and operational procedures that would require the operator to notify the BLM of seeding dates, techniques, and times, as well as require visual and financial proof that reseeded took place.
- Prevention of unsuitable water from being used that would cause soil damage or the dumping of excess water that may cause erosion.
- Restricting the access of livestock to areas undergoing reclamation.

For a copy of this report, please contact Mike Scott at 406.248.1154.

Northern Plains Resource Council - 220 South 27th Street - Billings, MT 59101
www.northernplains.org

Figure 3: Compliance Totals (Wells & Facilities)

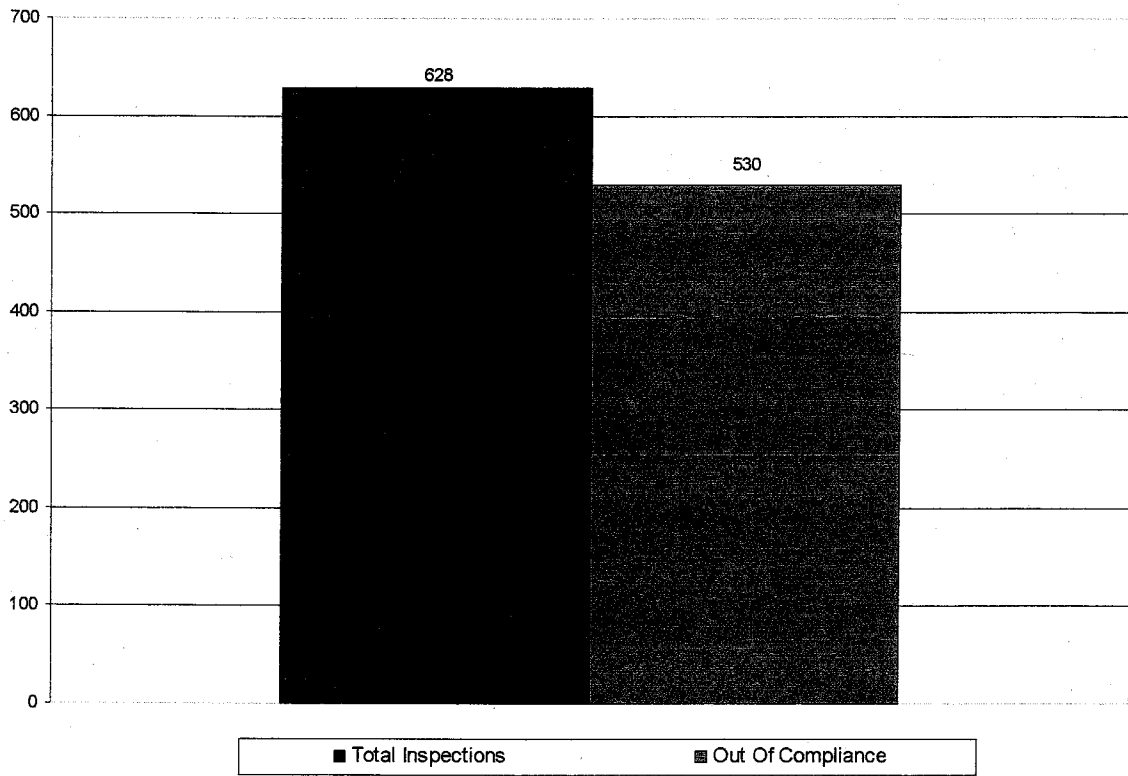
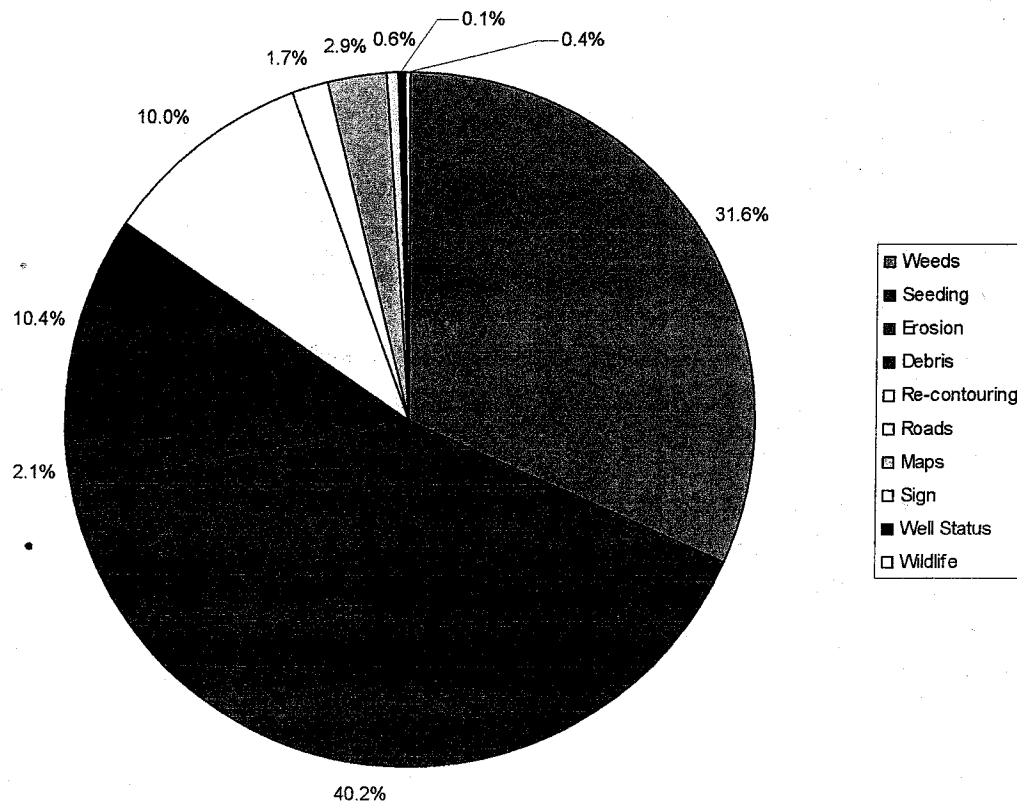


Figure 9: Percent of Environmental Problems Found



Mr. Chairman and members of the committee.

My name is Mark Fix and I am the chair of Northern Plains Resource Council.

Northern Plains Resource Council and its members support SB 218.

Geologic carbon sequestration will be a major part of our efforts to address global climate change. We know that burning fossil fuels for energy production releases large amounts of carbon dioxide to the atmosphere. By sequestering that carbon dioxide, we can reduce, and hopefully reverse, global warming.

Many farm and ranch families in Eastern Montana are members of Northern Plains. We know that when the state starts looking for places to sequester carbon dioxide, it will probably be looking in our direction.

Unfortunately, we still have no regulations or guidelines in Montana on how carbon sequestration will be done. We have no way to predict what carbon sequestration will look like, and how it might effect our farm and ranch operations. Before we can fully endorse the concept, we need to know how it impact those of us who will need to share our land with the pipelines and machinery that carbon sequestration will require.

The bill represents the essential first step in developing a carbon sequestration policy in Montana. It will give landowners a way to assess what it will mean to us, and to develop an informed position on the rest of the pieces of the puzzle, some of which this legislature, and even this committee, has already discussed.

We urge this committee to support SB 218 and start Montana on the road to a carbon sequestration policy that addresses the needs of all of our citizens.

MARK FIX
1-24-07
421-5460